

## Internal Revenue Service, Treasury

## § 1.812-8

### § 1.812-7 Application of subtitle A and subtitle F.

Section 812(f) provides that except as modified by section 809(e) (relating to modifications of deduction items otherwise allowable under subtitle A of the Code) subtitles A and F of the Code shall apply to operations loss carrybacks and carryovers, and to the operations loss deduction, in the same manner and to the same extent that such subtitles apply in respect of net operation loss carrybacks, net operating loss carryovers, and the net operating loss deduction of corporations generally. For the computation of the operations loss carrybacks and carryovers, and of the operations loss deduction in the case of certain acquisitions of the assets of a life insurance company by another life insurance company, see section 381(c)(22) and the regulations thereunder.

[T.D. 6535, 26 FR 539, Jan. 20, 1961]

### § 1.812-8 Illustration of operations loss carrybacks and carryovers.

The application of § 1.812-4 may be illustrated by the following example:

(a) *Facts.* The books of M, a life insurance company, organized in 1940, reveal the following facts:

Taxable year	Taxable investment income	Gain from operations	Loss from operations
1958 .....	\$11,000	\$15,000	.....
1959 .....	23,000	30,000	.....
1960 .....	.....	.....	(\$75,000)
1961 .....	25,000	20,000	.....
1962 .....	.....	.....	(150,000)
1963 .....	22,000	30,000	.....
1964 .....	40,000	35,000	.....
1965 .....	62,000	75,000	.....
1966 .....	25,000	17,000	.....
1967 .....	39,000	53,000	.....

The gain from operations thus shown is computed without regard to any operations loss deduction. The assumption is also made that none of the other modifications prescribed in paragraph (b) of § 1.812-5 apply. There are no losses from operations for 1955, 1956, 1957, 1968, 1969, 1970.

(b) *Loss sustained in 1960.* The portions of the \$75,000 loss from operations for 1960 which shall be used as carrybacks to 1958 and 1959 and as carryovers to 1961, 1962, 1963, 1964, and 1965 are computed as follows:

(1) *Carryback to 1958.* The carryback to this year is \$75,000, that is, the amount of the loss from operations.

(2) *Carryback to 1959.* The carryback to this year is \$60,000 (the excess of the loss for 1960 over the offset for 1958), computed as follows:

Loss from operations .....	\$75,000
Less:	
Offset for 1958 (the \$15,000 gain from operations for such year computed without the deduction of the carryback from 1960) .....	15,000
Carryback .....	60,000

(3) *Carryover to 1961.* The carryover to this year is \$30,000 (the excess, if any, of the loss for 1960 over the sum of the offsets for 1958 and 1959), computed as follows:

Loss from operations .....	\$75,000
Less:	
Offset for 1958 (the \$15,000 gain from operations for such year computed without the deduction of the carryback from 1960) .....	\$15,000
Offset for 1959 (the \$30,000 gain from operations for such year computed without the deduction of the carryback from 1960 or the carryback from 1962) .....	30,000
Sum of offsets .....	45,000
Carryover .....	30,000

(4) *Carryover to 1962.* The carryover to this year is \$10,000 (the excess, if any, of the loss for 1960 over the sum of the offsets for 1958, 1959, and 1961), computed as follows:

Loss from operations .....	\$75,000
Less:	
Offset for 1958 (the \$15,000 gain from operations for such year computed without the deduction of the carryback from 1960) .....	\$15,000
Offset for 1959 (the \$30,000 gain from operations for such year computed without the deduction of the carryback from 1960 or the carryback from 1962) .....	80,000
Offset for 1961 (the \$20,000 gain from operations for such year computed without the deduction of the carryover from 1960 or the carryback from 1962) .....	20,000
Sum of offsets .....	65,000
Carryover .....	10,000

(5) *Carryover to 1963.* The carryover to this year is \$10,000 (the excess, if any, of the loss for 1960 over the sum of the offsets for 1958, 1959, 1961, and 1962), computed as follows:

Loss from operations .....	\$75,000
Less:	
Offset for 1958 (the \$15,000 gain from operations for such year computed without the deduction of the carryback from 1960) .....	\$15,000

Offset for 1959 (the \$30,000 gain from operations for such year computed without the deduction of the carryback from 1960 or the carryback from 1962) .....	30,000	
Offset for 1961 (the \$20,000 gain from operations for such year computed without the deduction of the carryover from 1960 or the carryback from 1962) .....	20,000	
Offset for 1962 (a year in which a loss from operations was sustained) .....	0	
Sum of offsets .....	65,000	
Carryover .....	10,000	

(6) *Carryover to 1964.* The carryover to this year is \$0 (the excess, if any, of the loss from 1960 over the sum of the offsets for 1958, 1959, 1961, 1962, and 1963), computed as follows:

Loss from operations .....	\$75,000	
Less:		
Offset for 1958 (the \$15,000 gain from operations for such year computed without the deduction of the carryback from 1960) .....	\$15,000	
Offset for 1959 (the \$30,000 gain from operations for such year computed without the deduction of the carryback from 1960 or the carryback from 1962) .....	30,000	
Offset for 1961 (the \$20,000 gain from operations for such year computed without the deduction of the carryover from 1960 or the carryback from 1962) .....	20,000	
Offset for 1962 (a year in which a loss from operations was sustained) .....	0	
Offset for 1963 (the \$30,000 gain from operations for such year computed without the deduction of the carryover from 1960 or the carryback from 1962) .....	30,000	
Sum of offsets .....	95,000	
Carryover .....	0	

(7) *Carryover to 1965.* The carryover to this year is \$0 (the excess, if any, of the loss from 1960 over the sum of the offsets for 1958, 1959, 1961, 1962, 1963, and 1964), computed as follows:

Loss from operations .....	\$75,000	
Less:		
Offset for 1958 (the \$15,000 gain from operations for such year computed without the deduction of the carryback from 1960) .....	\$15,000	
Offset for 1959 (the \$30,000 gain from operations for such year computed without the deduction of the carryback from 1960 or the carryback from 1962) .....	30,000	

Offset for 1961 (the \$20,000 gain from operations for such year computed without the deduction of the carryover from 1960 or the carryback from 1962) .....	20,000	
Offset for 1962 (a year in which a loss from operations was sustained) .....	0	
Offset for 1963 (the \$30,000 gain from operations for such year computed without the deduction of the carryover from 1960 or the carryback from 1962) .....	30,000	
Offset for 1964 (the \$35,000 gain from operations for such year computed without the deduction of the carryover from 1960 or the carryback from 1962) .....	35,000	
Sum of offsets .....	130,000	
Carryover .....	0	

(c) *Loss sustained in 1962.* The portions of the \$150,000 loss from operations for 1962 which shall be used as carrybacks to 1959, 1960, and 1961 and as carryovers to 1963, 1964, 1965, 1966, and 1967 are computed as follows:

(1) *Carryback to 1959.* The carryback to this year is \$150,000, that is, the amount of the loss from operations.

(2) *Carryback to 1960.* The carryback to this year is \$150,000 (the excess, if any, of the loss from 1962 over the offset for 1959), computed as follows:

Loss from operations .....	\$150,000	
Less:		
Offset for 1959 (the \$30,000 gain from operations for such year reduced by the carryback to such year of \$60,000 from 1960, the carryback from 1962 to 1959 not being taken into account) .....	0	
Carryback .....	150,000	

(3) *Carryback to 1961.* The carryback to this year is \$150,000 (the excess, if any, of the loss from 1962 over the sum of the offsets for 1959 and 1960), computed as follows:

Loss from operations .....	\$150,000	
Less:		
Offset for 1959 (the \$30,000 gain from operations for such year reduced by the carryback to such year of \$60,000 from 1960, the carryback from 1962 to 1959 not being taken into account) .....	0	
Offset for 1960 (a year in which a loss from operations was sustained) .....	0	
Sum of offsets .....	0	
Carryback .....	150,000	

(4) *Carryover to 1963.* The carryover to this year is \$150,000 (the excess, if any, of the loss from 1962 over the sum of the offsets for 1959, 1960, and 1961), computed as follows:

Loss from operations .....	\$150,000	
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Less:

Offset for 1959 (the \$30,000 gain from operations for such year reduced by the carryback to such year of \$60,000 from 1960, the carryback from 1962 to 1959 not being taken into account) .....	0
Offset for 1960 (a year in which a loss from operations was sustained) .....	0
Offset for 1961 (the \$20,000 gain from operations for such year reduced by the carryover to such year of \$30,000 from 1960, the carryback from 1962 to 1961 not being taken into account) .....	0
Sum of offsets .....	0
Carryover .....	150,000

(5) *Carryover to 1964.* The carryover to this year is \$130,000 (the excess, if any, of the loss from 1962 over the sum of the offsets for 1959, 1960, 1961, and 1963), computed as follows:

Loss from operations ..... \$150,000

Less:

Offset for 1959 (the \$30,000 gain from operations for such year reduced by the carryback to such year of \$60,000 from 1960, the carryback from 1962 to 1959 not being taken into account) .....	0
Offset for 1960 (a year in which a loss from operations was sustained) .....	0
Offset for 1961 (the \$20,000 gain from operations for such year reduced by the carryover to such year of \$30,000 from 1960, the carryback from 1962 to 1961 not being taken into account) .....	0
Offset for 1963 (the \$30,000 gain from operations for such year reduced by the carryover to such year of \$10,000 from 1960, the carryover from 1962 to 1963 not being taken into account) .....	20,000
Sum of offsets .....	20,000
Carryover .....	130,000

(6) *Carryover to 1965.* The carryover to this year is \$95,000 (the excess, if any, of the loss from 1962 over the sum of the offsets for 1959, 1960, 1961, 1963, and 1964), computed as follows:

Loss from operations ..... \$150,000

Less:

Offset for 1959 (the \$30,000 gain from operations for such year reduced by the carryback to such year of \$60,000 from 1960, the carryback from 1962 to 1959 not being taken into account) .....	0
Offset for 1960 (a year in which a loss from operations was sustained) .....	0
Offset for 1961 (the \$20,000 gain from operations for such year reduced by the carryover to such year of \$30,000 from 1960, the carryback from 1962 to 1961 not being taken into account) .....	0
Offset for 1963 (the \$30,000 gain from operations for such year reduced by the carryover to such year of \$10,000 from 1960, the carryover from 1962 to 1963 not being taken into account) .....	20,000
Offset for 1964 (the \$35,000 gain from operations for such year reduced by the carryover to such year of \$0 from 1960, the carryover from 1962 to 1964 not being taken into account) ...	35,000
Sum of offsets .....	55,000
Carryover .....	95,000

(7) *Carryover to 1966.* The carryover to this year is \$20,000 (the excess, if any, of the loss from 1962 over the sum of the offsets for 1959, 1960, 1961, 1963, 1964, and 1965), computed as follows:

Loss from operations ..... \$150,000

Less:

Offset for 1959 (the \$30,000 gain from operations for such year reduced by the carryback to such year of \$60,000 from 1960, the carryback from 1962 to 1959 not being taken into account) .....	0
Offset for 1960 (a year in which a loss from operations was sustained) .....	0
Offset for 1961 (the \$20,000 gain from operations for such year reduced by the carryover to such year of \$30,000 from 1960, the carryback from 1962 to 1961 not being taken into account) .....	0
Offset for 1963 (the \$30,000 gain from operations for such year reduced by the carryover for such year of \$10,000 from 1960, the carryover from 1962 to 1963 not being taken into account) .....	20,000

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Offset for 1964 (the \$35,000 gain from operations for such year reduced by the carryover to such year of \$0 from 1960, the carryover from 1962 to 1964 not being taken into account) ...	35,000
Offset for 1965 (the \$75,000 gain from operations for such year reduced by the carryover to such year of \$0 to 1960, the carryover from 1962 to 1965 not being taken into account) .....	\$75,000
Sum of offsets .....	\$130,000
Carryover .....	20,000
(8) <i>Carryover to 1967.</i> The carryover to this year is \$3,000 (the excess, if any, of the loss from 1962 over the sum of the offsets for 1959, 1960, 1961, 1963, 1964, 1965, and 1966), computed as follows:	
Loss from operations .....	\$150,000
Less:	
Offset for 1959 (the \$30,000 gain from operations for such year reduced by the carryback to such year of \$60,000 from 1960, the carryback from 1962 to 1959 not being taken into account) .....	0
Offset for 1960 (a year in which a loss from operations was sustained) .....	0
Offset for 1961 (the \$20,000 gain from operations for such year reduced by the carryover to such year of \$30,000 from 1960, the carryback from 1962 to 1961 not being taken into account) .....	0

Offset for 1963 (the \$30,000 gain from operations for such year reduced by the carryover to such year of \$10,000 from 1960, the carryover from 1962 to 1963 not being taken into account) .....	20,000
Offset for 1964 (the \$35,000 gain from operations for such year reduced by the carryover to such year of \$0 from 1960, the carryover from 1962 to 1964 not being taken into account) ...	35,000
Offset for 1965 (the \$75,000 gain from operations for such year reduced by the carryover to such year of \$0 from 1960, the carryover from 1962 to 1965 not being taken into account) ...	75,000
Offset for 1966 (the \$17,000 gain from operations for such year computed without the deduction of the carryover from 1962) .....	17,000
Sum of offsets .....	147,000
Carryover .....	3,000

(d) *Determination of operations loss deduction for each year.* The carryovers and carrybacks computed under paragraphs (b) and (c) of this section are used as a basis for the computation of the operations loss deduction in the following manner:

Taxable year	Carryover		Carryback		Operations loss deductions
	From 1960	From 1962	From 1960	From 1962	
1958 .....			\$75,000		\$75,000
1959 .....			60,000	\$150,000	210,000
1961 .....	\$30,000			150,000	180,000
1963 .....	10,000	\$150,000			160,000
1964 .....		130,000			130,000
1965 .....		95,000			95,000
1966 .....		20,000			20,000
1967 .....		3,000			3,000

[T.D. 6535, 26 FR 539, Jan. 20, 1961]

DISTRIBUTIONS TO SHAREHOLDERS

§ 1.815-1 Taxable years affected.

Sections 1.815-2 through 1.815-6, except as otherwise provided therein, are applicable only to taxable years beginning after December 31, 1957, and all references to sections of part I, subchapter L, chapter 1 of the Code are to

the Internal Revenue Code of 1954, as amended by the Life Insurance Company Income Tax Act of 1959 (73 Stat. 112), the Act of October 10, 1962 (76 Stat. 808), and the Act of October 23, 1962 (76 Stat. 1134).

[T.D. 6886, 31 FR 8689, June 23, 1966]